Public Service Superannuation Plan Trustee Inc.

2014-15 NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN annual report

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Italicized terms, with the exception of *Acts*, that appear in the Report to Members and Investment Management sections are defined in the Glossary.

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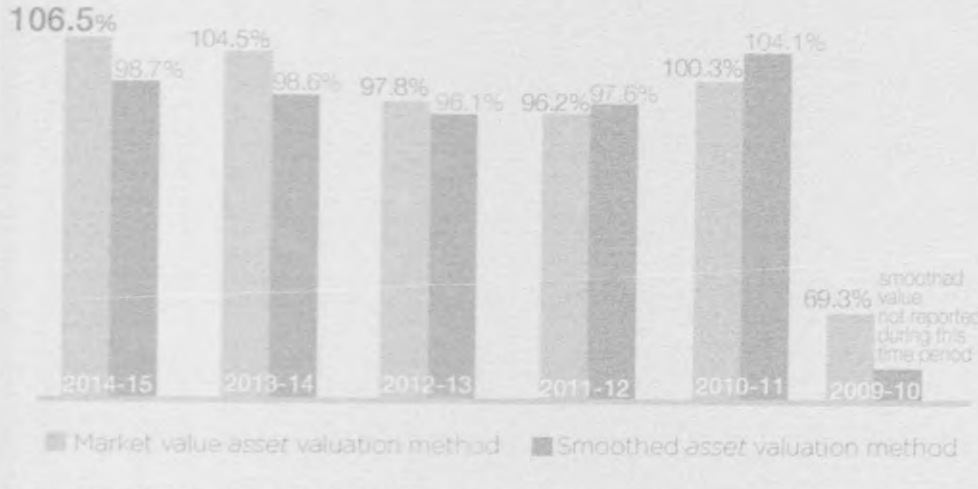
All information presented in this document is premised on the Plan rules and criteria which currently exist under the *Public Service Superannuation Act (PSSA)* and the Regulations made thereunder. This document explains in plain language the financial status of the Nova Scotia Public Service Superannuation Plan. Plan members, beneficiaries, and others who wish to determine their legal rights and obligations under the Plan should refer to the *PSSA*, the Plan Regulations, or other legal documents as appropriate. In the event of a discrepancy between the information provided in this document and the legislation and/or legal documents, the latter takes precedence.

The Nova Scotia Public Service Superannuation Plan (Plan or PSSP) is one of the largest public sector pension plans in the province. The Plan is a registered defined benefit pension plan that offers you a lifetime pension benefit when you retire. Your pension benefit is funded by contributions made by you and your employer, as well as investment income generated by the Plan's investment *assets*. This Annual Report details the Plan's investment performance and financial health as at March 31, 2015.

2014-15 *AT A GLANCE*

The Plan's *funded ratio* was 106.5 per cent as of March 31, 2015.



**Prior to 2012-13, the Plan's funded ratio was reported at calendar year end Dec. 31. Today, it is reported at fiscal year end Mar. 31.*

Market Value

- Values the Plan's *assets* at fair-market value
- Reflects actual value of *assets* in the pension fund

Smoothed

- Is a method of evening out the volatility in investment gains or losses
- Increases stability over short periods
- Spreads out the impact of market swings and other variations.

Investment Return
for the fiscal year ended March 31, 2015

11.13%	11.09%
the Plan	*benchmark*

Investment returns are reported *gross of investment management fees*.

Contributions made to the Plan:

$183 million

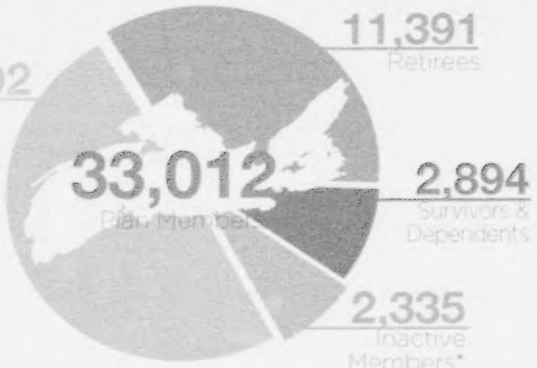
Plan members and employers contributions

Benefits paid out to retirees and survivors:

$294 million

PSSP Membership *in review*

As at December 31, 2014, the Plan had a total of 33,012 Plan members. The number of retirees grew by 403 to 11,391, while the number of active Plan members increased by 79 to 16,392.



There are approximately 4600 active Plan members eligible to retire from the Plan with either a reduced or unreduced pension.

The Plan's aging demographic is a strategic and long term financial risk. As a result, the Public Service Superannuation Plan Trustee Inc. (PSSPTI) has begun discussions with several public sector employers to join and grow the Plan's membership.

** Inactive members are Plan members who have terminated employment, but have not yet retired or removed their funds from the Plan.*

1.15 active members for every 1 retiree

A low ratio of working-to-retired members creates a greater impact on active Plan members to cover any shortfalls of investment losses.

Membership Facts

47.8	Average age of an active member
69.7	Average age of a retired member
653	New retirees in 2014
13	Pensioners over 100 years of age
$19,288	Average annual lifetime pension (retired member)

The Plan's 5-year funded health review and *COLA*:

In 2014-15, the PSSPTI made preparations to conduct its first comprehensive review of the Plan's long term financial health. The PSSPTI is required to conduct this review every 5 years, in accordance with provisions in the *PSSA*. The purpose of the review is to determine the Plan's capacity to afford future annual *cost of living adjustments (COLA)* for the next 5 years (January 1, 2016 to December 31, 2020) and to review the adequacy of contribution rates.

The PSSPTI's decision to grant *COLA* for the next 5 years was based on the Plan's *funded ratio* as of December 31, 2014. The Plan was 104.7 per cent funded before the calculation of future *COLA* at as December 31, 2014.

The guidelines the PSSPTI used to determine the level of approved *COLA* are detailed in the funding policy of the *PSSA*. As the Plan was 104.7 per cent funded, the *PSSA*'s funding policy states that the maximum *COLA* the PSSPTI can approve must not exceed 50 per cent of the previous 5-year average *Consumer Price Index* (which was 0.9 per cent) and a minimum of 25 per cent of the surplus must be put into the strategic reserve. Also, as the Plan is fully funded, the funding policy does not allow the PSSPTI to change Plan member and employer contribution rates at this time.

After reviewing the Plan's financial health, the PSSPTI ***approved a COLA rate set at 0.85% for the next 5 years and allocated approximately $125 million of the surplus to the strategic reserve.***

After reviewing the Plan's financial health as at December 31, 2014, working within the *PSSA*'s funding policy guidelines, and giving high priority to the Plan's long term financial health and sustainability, the PSSPTI approved a *COLA* rate set at 0.85 per cent for the next 5 years. PSSPTI also allocated $125 million of the surplus to the strategic reserve. After accounting for these decisions, the Plan had a revised *funded ratio* of 102.4 per cent (market value) as at December 31, 2014.

Message from the Chair

On behalf of the Public Service Superannuation Plan Trustee Inc., I am pleased to present the annual report of the Public Service Superannuation Plan for the fiscal year ended March 31, 2015. This report provides you with details on the financial health of the Plan and a comprehensive review of its investment activities.

In 2014-15, the Plan achieved a positive rate of return on investments of 11.13 per cent (gross of investment management expenses), generating $560.5 million in total investment income. The total net assets for the Plan reached $5.5 billion and, as of March 31, 2015, the Plan was approximately 106.5 per cent funded.

The Plan's fully funded status marks a significant milestone; as only 5 years ago, the Plan was sitting at a staggering 69 per cent funded status. Changes made to the Plan's structure in 2010 and prudent management of the Plan's investment assets are the foundation of the Plan being financially sound today.

In 2014-15, the Trustee held a total of 20 board and committee meetings. During these meetings we focused on a number of important initiatives, including membership growth and strategic direction.

Our focus on membership growth is intended to improve the Plan's aging demographic. The number of retirees and employees currently eligible to retire is significant. A healthy pension plan needs to grow its active membership to promote long term financial sustainability.

As a result of this initiative, the Trustee has engaged in discussions with several quasi-public employers about joining the Plan. Our guiding principle for this initiative is that it must enhance the long term sustainability of the Plan and be cost neutral to the Plan and its existing members.

In 2014-15, we made preparations for our first 5-year review of the Plan's funded health. The purpose of the 5-year review was to:

- Assess the Plan's long term financial health;
- Consider annual cost of living adjustments (COLA), if appropriate, for the next 5 years;
- Review the adequacy of contribution rates.

During the 5-year review, our highest priority was given to the Plan's long term financial health and sustainability. After careful consideration and review of the Plan's funded health, we were able to approve COLA at 0.85 per cent for the next 5 years and allocate approximately $125 million of the surplus into the strategic reserve.

In 2015-16, we will continue defining our strategic plan to identify initiatives that focus on achieving retirement security for today's Plan members and generations yet to come.

In 2015, we look forward to the implementation of the new pension services technology system that will enhance services for Plan members by allowing them to access their pension information online, anytime, anywhere.

The Trustee would like to thank the Pension Services Corporation team for their dedication to providing high-quality Plan member services, investment administration and board support.

Ronald Smith, FCIA, ICD.D

Plan Governance

Public Service Superannuation Plan Trustee Inc. (PSSPTI) is the Trustee of the PSSP and the Public Service Superannuation Fund. The PSSP is governed by the *Public Service Superannuation Act*.

The Board of Directors of Pension Services Corp. (Board) includes directors from the PSSPTI and the Teachers' Pension Plan Trustee Inc. (TPPTI). The Board oversees the overall operations and management of Nova Scotia Pension Services Corporation (Pension Services Corp.).

Pension Services Corp. is jointly owned by the PSSPTI and TPPTI to administer the pension benefits and investment assets of the PSSP and the Teachers' Pension Plan.

who manages the PSSP & How it is administered

The chart below explains the roles and responsibilities of each entity involved in the Plan's governance structure.

Public Service Superannuation Plan Trustee Inc. (PSSPTI)

- Fiduciary responsibility for the Plan and investment assets
- Responsible for the Plan's overall operations and investment decisions
- Sets policy framework and strategic direction for the investment assets
- Includes representatives from the NSGEU, NSGREA, CUPE Local 1867, non-union employees, the NS Government, and other employers
- Oversees all aspects of the Plan through four committees:

Audit, Actuarial, and Risk
Oversight of the Plan's auditors and actuaries. Conducts a detailed review of the audited financial statements and actuarial valuation reports. Reviews quarterly compliance reports.

Governance, Communications, and Member Services
Ensures the PSSPTI's duties and responsibilities are clear and sets the goals for the Plan Administrator.

Investment
Reviews, monitors, and approves all investment management policies.

Plan Regulations
Supports the PSSPTI regarding amendments to the *PSSP Regulations*.

The Board of Directors of Pension Services Corporation

- Oversight of Pension Services Corp.
- Sets strategic direction, approves operational budget, and makes key decisions
- Is comprised of joint representation from the PSSPTI and the Teachers' Pension Plan Trustee Inc.

nspension Services Corporation Nova Scotia Pension Services Corporation

- Manages day-to-day operation of Plan investments and benefit administration
- Provides Plan member, retiree, and employer services
- See page 7 for more information on these services.

The Board of Directors of *Public Service Superannuation Plan Trustee Inc.* *(at March 31, 2015)*

Public Service Superannuation Plan Trustee Inc. is comprised of an independent Chair and 12 directors, who represent the NSGEU, NSGREA, CUPE Local 1867, non-union employees, the Nova Scotia Government, and other employers.

PSSPTI directors are senior representatives from each stakeholder group. They have extensive experience in a wide range of disciplines required to oversee the PSSP. Directors are appointed for limited terms and can serve up to a maximum of 10 consecutive years.

The PSSPTI meets five to six times a year. Directors also attend several committee meetings and various educational training sessions throughout the year.

RONALD SMITH
FCA, ICD.D

The Chair is an Ex-Officio member on all committees.

CHAIR

DOUG MOODIE
Senior Solicitor, Dept. of Justice

PSSPTI Vice-Chair

Committee:
- Investment

EMPLOYER REP.

NANCY MacLELLAN
Associate Deputy Min., Community Services

PSSPTI Vice-Chair

Committee:
- Governance, Chair

NON-BARGAINING UNIT REP.

LEO McKENNA
Chief Financial Officer, Workers Compensation Board

Committee:
- Investment, Chair

EMPLOYER REP.

PAUL HAGEN
Coord., SAP Business Support Ctr., Dept. of Education

Committee:
- Audit, Actuarial and Risk, Chair

NSGEU REP.

BYRON RAFUSE
Associate Deputy Min., Dept. of Finance and Treasury Board

Committee:
- Audit, Actuarial, and Risk

EMPLOYER REP.

KEIREN TOMPKINS
Retired, Former Executive Director, NSGEU

Committee:
- Governance

NSGEU REP.

CATHY RANKIN
Benefits Manager, Public Service Commission

Committee:
- Governance

EMPLOYER REP.

DAVE PETERS
Retired, NS Government Retired Employees Association

Committee:
- Investment

NSGREA REP.

MIKE MacISAAC
NS Highway Workers/ CUPE Local 1867

Committee:
- Audit, Actuarial, and Risk

CUPE REP.

CHRIS DALY
Executive Director, Transformational Planning, Internal Services

Committee:
- Audit, Actuarial, and Risk

EMPLOYER REP.

IAN JOHNSON
Servicing Coordinator/ Policy Analyst, NSGEU

Committee:
- Investment

NSGEU REP.

CYNTHIA YAZBEK
Executive Director, Employee Relations, Public Service Commission

Committee:
- Governance

EMPLOYER REP.

Pension Services Corporation

Nova Scotia Pension Services Corporation's (Pension Services Corp.) service teams are responsible for providing pension services to Plan members, retirees, and employers. These services include:

- *providing pension estimates*
- *explaining retirement options*
- *maintaining contact and beneficiary information*
- *updating pension payment information*
- *publishing Plan member communication material such as newsletters and Member Statements*
- *assisting employers with pension payroll data*
- *providing retirement and educational seminars*

Enhancing Plan Member Services

Pension Services Corp. recently migrated to a new pension administration system that provides enhanced services and access for Plan members, retirees, and employers.

Later in 2015, we will introduce the My Retirement Plan website to active Plan members. This will be a secure website that will allow active Plan members to:

- View their annual Member Statement;
- Use the Pension Projection tool;
- View personal information.

We will be contacting active Plan members individually, via mailed letters, instructing them on how to access the My Retirement website.

Client Services *2014-15 Results:*

23,560 Calls were answered

90% of calls were answered in less than 20 seconds

7,730 accessed the Online Pension Estimate Calculators

34 pre-retirement seminars

2014-15 Reciprocal Transfers

Employer Services

Did you know?
The Employer Services team at Pension Services Corp.

- Assists participating employers with bi-weekly payroll interfaces and remittance of pension contributions;
- Provides on-site training and support for employers; and
- Conducts quality assurance on plan member data received.

visit *novascotiapension.ca/publicserviceplan*

At *novascotiapension.ca/publicserviceplan* you will find helpful information and resources about your PSSP, including:

- *Public Service Superannuation Act* and Regulations
- Frequently Asked Questions
- Newsletters and other publications
- Your Member Guide
- Quarterly investment reports
- Public Service Pension Estimate Calculator
- Contact information for Canada Pension Plan (CPP) and other Pension Authorities

Plan Valuation

The *funded ratio* is equal to the Plan's *assets* divided by the Plan's *liabilities*, expressed as a percentage. A *funded ratio* of 100 per cent or more means that the Plan is fully funded (i.e. there are sufficient *assets* to cover *liabilities*, based on current market values and actuarial assumptions).

Prior to completing the Actuarial Valuation of Plan *liabilities*, the PSSPTI and its appointed actuary updated several important actuarial assumptions.

The most notable changes were:

- A reduction of the *Discount Rate* to 6.35 per cent, and
- Updated mortality, retirement and termination assumptions that incorporate findings determined by recently completed Plan specific studies.

More details about the assumptions that were used, and their impact to the valuation of Plan *liabilities*, may be found in the Report on the Actuarial Valuation at December 31, 2014.

The Plan's fiscal year-end is March 31. As at March 31, 2015, the Plan had total *liabilities* of approximately $5.2 billion and a surplus of $338.5 million. The *funded ratio* was 106.5 per cent.

How did the Plan achieve a funded ratio of 106.5 per cent?

- The Trustee elected to adopt a market value of *asset* valuation method for the December 31, 2014 Actuarial Valuation.
- Plan *liabilities* were valued at December 31, 2014 with a *funded ratio* of 104.7 per cent.
- The PSSPTI conducted their 5-year funded health review of the Plan for January 1, 2016 to December 31, 2020. During the funded health review, they allocated approximately $125 million to the strategic reserve and granted 0.85 per cent *COLA* for the next 5 years.
- As a result of the PSSPTI's 5-year funded health review decisions, the Plan's *funded ratio* as at December 31, 2014 was revised to 102.4 per cent.
- Plan *liabilities* were extrapolated to March 31, 2015, resulting in a revised *funded ratio* of 106.5 per cent using market value of *assets* at that date.

How the Plan's surplus/deficit is calculated...

A Plan's surplus/deficit is calculated by deducting the Plan's *liabilities* from the Plan's *assets*.

Assets
$5,539.4 million

−

Liabilities
$5,200.9 million

As at March 31, 2015

=

Surplus
338.5 million

All Figures are rounded to the nearest $100,000.

Plan *funded ratio* as at March 31, 2015

106.5%

The Plan reports its *assets* on a market value basis.

Please refer to the December 31, 2014 Actuarial Valuation Report for additional information, which you can view online at:

novascotiapension.ca/publicserviceplan/publications/actuarialvaluation

Investment Management - *Discussion and Analysis*

The Goal

The primary goal of the Public Service Superannuation Fund (Fund) is to invest pension assets in a manner that maximizes investment returns, within an acceptable level of risk, which enables the Fund to meet the long-term funding requirements of the Plan.

Read about how the Plan's Fund is invested, how it performed in 2014-15, and the factors that influenced its investment performance.

The SIP&G

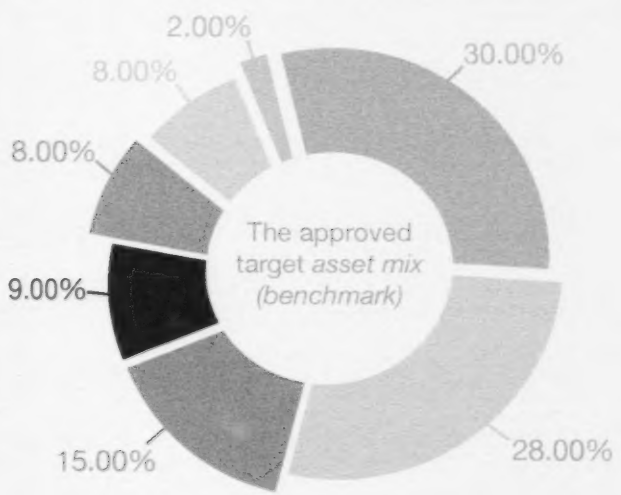
The investment of pension *assets* is guided by the Fund's Statement of Investment Policies & Goals (SIP&G) as written by the PSSPTI. The SIP&G sets out the parameters within which the investments may be made. These parameters include permissible investments and the policy *asset mix* of the four main *asset* classes: *equities*, fixed income, real *assets*, and absolute return strategies. The Investment Beliefs, also found within the SIP&G, state the general principles upon which investments are made.

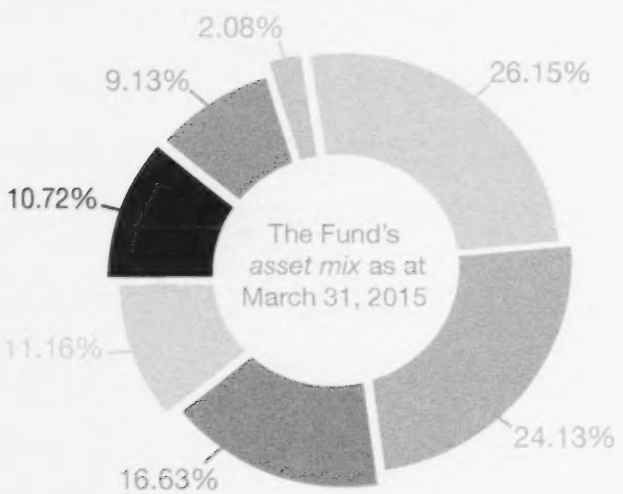
Asset Mix

In 2014-15, the Trustee continued to transition the policy *asset mix* of the Fund to a target *benchmark*. The primary objective of the transition is to reduce the Fund's allocation to *equities* in favour of alternative *assets*, the intent being to improve the risk/return profile of the Fund and increase diversification.

With the bulk of the *benchmark* transition completed, achieving the targeted allocations for real estate and infrastructure has been slow. The increased demand for these *assets* and elevated valuations has been the cause of the implementation delay. Notwithstanding these challenges, investment in real estate and infrastructure has continued in a disciplined manner with the *benchmark* weight for the real estate and infrastructure portfolios increasing by 1 per cent and 0.4 per cent, respectively.

From a tactical perspective, throughout 2014-15 the Fund maintained various *overweight* and *underweight* positions versus the Fund's *benchmark*. An *underweight* position in fixed income and real return bonds was held due to expectations of higher interest rates and *equities* were held at *benchmark* weight due to concerns over valuation levels. An *overweight* to absolute return strategies was maintained throughout the year.





Real *Assets* | Fixed Income | International *Equity* | US *Equity* | Canadian *Equity* | Absolute Return Strategies | Cash

2014-15 Investment Performance

For the period ending March 31, 2015, the Fund achieved a one year return of 11.13 per cent, *gross of investment management fees*. Led by continued strong performance in *equity* markets coupled with a solid year for fixed income investments, the Fund outperformed the *actuarial assumed rate of return* (6.50 per cent) as well as the policy *benchmark* (11.09 per cent).

U.S. *equities* continued their strong performance in the year, extending their bull run to six years. The one year return of the Fund's U.S. *equity* holdings was 29.11 per cent, as corporate earnings and confidence in the U.S. economic recovery improved. Improving economic conditions and an anticipated interest rate increase by the Federal Reserve helped the U.S. dollar appreciate relative to nearly all other currencies, including a gain of approximately 15 per cent relative to the Canadian dollar within the year. The Canadian dollar itself was adversely impacted by falling crude oil prices.

International *equities* also enjoyed solid returns in the year (13.23 per cent), posting strong results in the first quarter of 2015. This was driven by the European Central Bank's (ECB) announcement of larger than anticipated monetary stimulus and the anticipation of additional stimulus from the Bank of Japan, more than offsetting continued concerns around Greece's status in the Eurozone. Conversely, Canadian *equities* (5.06 per cent) lagged their international counterparts, impacted by a significant decline in oil prices and the uncertainty that this brings to the Canadian economy as a whole.

Fixed income assets had a strong year, returning 16.74 per cent to the Fund. Both corporate and government fixed income investments benefited from a continued decline in yields in both Canada and the U.S.

The decline in Canadian yields can be traced to the fall in oil prices and lower than anticipated inflation. The decline in U.S. yields was driven in large part by the U.S. Federal Open Market Committee's perceived patience with interest rate hikes along with the smooth ending of quantitative easing. Falling inflation expectations and declining interest rates also benefited real return bonds, which returned 14.16 per cent to the Fund in the year. Also, making positive contributions were infrastructure and hedge funds while real estate lagged.

As indicated, the Fund's one year return of 11.13 per cent was positively impacted by the strong performance of U.S. and international *equity* markets. Relative one year performance of the Fund versus its *benchmark* was slightly positive but lower than last year. As valuations in certain *equity* markets have increased, the Fund's investment managers have struggled to add value to the *benchmark*, especially those with a value approach. Canadian and international *equity* managers along with real estate detracted from value add by underperforming their respective *benchmarks*.

The graph below shows the Fund's *asset* class performance for 2014-15 (gross of fees).

Did you know?

You can view the PSSP's Quarterly Investment Reports online at:

novascotiapension.ca/publicserviceplan/investmentreports

2014-15 Economic and Key Events

The Global Picture

Global economic growth was flat in 2014 compared with the prior year. A broad-based slowdown in emerging market economies, in particular China, negated acceleration of growth in most developed nations. Global growth has remained at 3.4 per cent for each of the past two years.[1]

Deflationary pressures, falling commodity prices and general uncertainty around diverging economic conditions and monetary policies helped drive government bond yields in Canada and the U.S. even lower in the year, positively impacting fixed income markets.

In addition, the strengthening, if unsteady, economic recovery in the U.S. and strong corporate earnings led to solid *equity* market performance. EAFE markets benefited from larger than expected stimulus from the ECB and anticipated additional stimulus from the Bank of Japan while Emerging Markets overall benefited from falling oil prices and increasing investor confidence.

The North American Picture

Driven by improved but still relatively subdued economic growth along with the direct and indirect impacts of the significant decline in crude oil prices and the value of the Canadian dollar, the S&P/TSX Composite Index was up just 6.9 per cent, significantly lagging its U.S. and international counterparts.

The International Monetary Fund estimates that economic growth will slow in the next two years, to 2.2 per cent in 2015 and 2.0 per cent in 2016, both of which represent negative revisions compared with the IMF's last quarterly forecast. Continued low commodity prices, in particular oil, along with continued divergence in global economic growth and monetary policies present significant headwinds for the Canadian economy in 2015. However, helping economic growth will be the continued strengthening of the U.S. economy, Canada's largest trading partner, along with the decline in the value of the Canadian dollar.

U.S. economic growth increased slightly in 2014, with *Gross Domestic Product (GDP)* growth increasing to 2.4 per cent compared with 2.2 per cent in 2013. U.S. *equity* markets continued their rally through March 2015 with the S&P 500 Index posting a 12.7 per cent return despite the U.S. Federal Reserve ending its quantitative easing program.

Driving performance was an increase in corporate earnings and a strengthening U.S. economy, in particular solid gains in the labour market. Economic growth is expected to continue accelerating in 2015, with forecasted growth at 3.1 per cent in each of the next two years.

Headwinds for the U.S. economy in the coming year include the rapid appreciation of the U.S. dollar relative to nearly all other currencies exhibited over the past year along with the divergence in global economic conditions and monetary policies.

Global economic growth was flat, remaining at **3.4 per cent**.

Growth in the **Canadian economy increased to 2.5 per cent**.

U.S. economic growth increased slightly, with *GDP* increasing by **2.4 per cent**.

Economic growth in Europe, at 0.9 per cent, was minimal in 2014 but did represent an improvement over 2013.

Growth in emerging market countries continued to decline in 2014, dropping from 5.0 per cent in 2013 to 4.6 per cent.

The global economic picture has deteriorated slightly with **world economic growth projected to be 3.5 per cent in 2015**.

[1] *Global GDP sourced from the 'World Economic Outlook Update, January 2015 as published by the IMF.*

2014-15 Economic and Key Events continued...

The International Picture

In the first quarter of 2015, EAFE *equities* enjoyed strong performance. This was driven by actual and anticipated monetary stimulus from the ECB and the Bank of Japan, respectively, driving one year returns on the MSCI EAFE index to 17.7 per cent for the period ending March 31, 2015. Economic growth in Europe, at 0.9 per cent, was minimal in 2014 but did represent an improvement over 2013. Economic growth in Japan showed significant deterioration in 2014, with *GDP* contracting by 0.1 per cent from growth of 1.6 per cent the year prior.

In the United Kingdom, the situation was markedly different with growth in 2014 accelerating to 2.6 per cent from 1.7 per cent in 2013. This level of growth is projected to remain relatively consistent in coming years, at 2.7 per cent and 2.3 per cent in 2015 and 2016, respectively.

Going forward it is anticipated that geopolitical tensions, slow economic growth and deflation present the strongest hea ..winds to the region.

The Emerging Markets Picture

Growth in emerging markets (EM) continued to decline in 2014, dropping from 5.0 per cent in 2013 to 4.6 per cent. Slowing growth in emerging markets was relatively broad-based, with Russian and Chinese growth declining significantly. The geopolitical situation in Ukraine and falling oil prices impacted Russia while a weak real estate market and a high debt burden resulted in China's *GDP* growth being the lowest reported in 24 years. For both countries it is anticipated that economic growth will continue to slow in the next two years with Russia entering a protracted recession during that period.

Emerging market *equities* underperformed their developed market counterparts in the year ending March 31, 2015 with the MSCI EM Index returning 10.9 per cent in the year. Overall, it is estimated that EM growth will be decline to 4.3 per cent in 2015 followed by a pick up to 4.7 per cent in 2016.

The Global Economic Picture - looking forward

Year over year, the global economic picture has deteriorated slightly with world economic growth projected to be 3.5 per cent in 2015, down from the 3.9 per cent forecasted in April 2014.

The main driver in this declining forecast is continued relative weakness in emerging market economic growth, in particular in Russia and China, which more than offsets upward revisions for most developed economies.

Overall, the world economy faces a number of headwinds in 2015, including low commodities prices, diverging economic growth and monetary policies and low growth expectations in Europe and Japan. The strongest growth will come from the U.S., where the market has digested the end of quantitative easing without issue and economic growth continues to gain significant, albeit unbalanced, traction.

Annualized Performance

Fiscal year-ending March 31, 2015

	Fund	*Benchmark*
1 year	11.13%	11.09%
4 year	9.05%	8.04%
10 year	6.80%	6.65%

Annual Performance

Investment returns are reported gross of investment management fees.

Fiscal year-ending March 31

Investment Management - *Discussion and Analysis*

2014-15 Investment Accomplishments

- The real estate portfolio expanded with the funding of new opportunities. The Fund also contracted with a new real estate advisor to assist the Fund with investments outside of Canada.
- The infrastructure portfolio grew. Additional investments were made in primary, secondary and co-investments through existing fund commitments and relationships. An additional primary fund commitment was made with the draw down of commitments beginning.
- Throughout the year several new opportunities to add value were identified to continue diversifying mandates within the Fund. New opportunistic mandates were added to the fixed income and commodity portfolios.
- A Sustainable Investment policy was approved by the Trustee and an initial program was put in place that identified several initiatives on which to focus. One of the initiatives created was reporting to track and monitor emissions and green initiatives within the direct real estate portfolio.

Looking Ahead to 2015-16

While 2014-15 produced another strong year of Fund performance from an absolute return basis, concern is for the future. Valuations within a number of asset classes remain at peak levels. Going forward, this creates a challenge for the Fund to find appropriate investments that will produce the required rate of return.

The continued appropriateness of the policy *asset mix* of the Fund in relation to the health of the Plan will be reviewed in 2015-16. An *asset liability* study will be conducted with the intent of identifying measures to help improve the risk/return profile of the Fund.

Glossary

Actuarial assumed rate of return: The long term *rate of return* assumed by the Plan's external actuary in determining the value of the Plan's *liabilities*. Also, referred to as the *Discount Rate*.

Asset(s) Financial and real items owned by the Plan which have a monetary value, including cash, stocks, bonds, real estate, etc.

Asset mix: The allocation of funds to be used for investment purposes between different types of *assets*, including cash, stocks, bonds, real estate, etc.

Benchmark: A standard against which the performance of the Plan's *return on investment* can be measured.

Consumer Price Index (CPI): An indicator of changes in prices experienced by consumers over time. It is used as a gauge of increases or decreases in the cost of living of consumers over time.

Discount Rate: see *actuarial assumed rate of return*.

Equity(ies): Common or preferred stock representing ownership in a company.

Funded ratio: A ratio of the Plan's *assets* to *liabilities*, expressed as a percentage. A ratio above 100 per cent indicates that the Plan has more *assets* than required to fund its future estimated *liabilities*.

Gross Domestic Product (GDP): Is the total market value of all final goods and services produced in a country in a given year. *GDP* is one of the primary indicators used to gauge the health of a country's economy.

Gross of investment management fees: Refers to the fact that the *return on investment* is reported before the deduction of management fees or expenses.

Cost of Living Adjustments (COLA): Also known as indexing, refers to the linkage of current retirees' pension payments to the average *Consumer Price Index*, as per the Funding Policy explained in the *PSSA*.

Liabilities: An estimate of the current value of future obligations of the Plan as a result of retirement commitments made to past, current, and future employees.

Overweight/Underweight: Refers to the difference relative to the *benchmark* portfolio. *Underweight* indicates less than the *benchmark*, while *overweight* indicates more than the *benchmark*.

Return on investment(s): A performance measure used to evaluate the efficiency of the Plan's investments, expressed as a percentage gain or loss on the initial investment at the beginning of the period.

Volatility: A measure of the variation in the price of a security or the returns of the Plan. High *volatility* indicates increased risk.

Financial Statements of

PUBLIC SERVICE SUPERANNUATION PLAN

Year ended March 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Public Service Superannuation Plan Trustee Inc.

We have audited the accompanying financial statements of the Public Service Superannuation Plan, which comprise the statement of financial position as at March 31, 2015, the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Superannuation Plan as at March 31, 2015, and the changes in its net assets available for benefits, changes in its pension obligations and changes in surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants
June 25, 2015
Halifax, Canada

PUBLIC SERVICE SUPERANNUATION PLAN

Financial Statements

Year ended March 31, 2015

Financial Statements

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PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

March 31, 2015, with comparative figures for 2014

	2015	2014
Net Assets Available for Benefits		
Assets		
Cash	$ 43,877	$ 42,766
Contributions receivable:		
Employers'	6,721	6,560
Employees'	6,139	5,878
Receivable from pending trades	7,733	15,833
Rebates receivable	1,815	813
Due from administrator (note 13)	2,820	1,688
Deposit on pending investment purchases (note 3(e))	-	4,415
Accrued investment income	19,016	20,004
Investments (notes 5)	5,478,685	5,025,973
Total assets	5,566,806	5,119,935
Liabilities:		
Pension benefits payable	$ 615	$ -
Payable for pending trades	11,629	8,585
Due to administrator (note 13)	828	-
Accounts payable and accrued liabilities	6,638	7,656
Investment liabilities (note 5)	8,033	3,995
Total liabilities	27,743	16,241
Net assets available for benefits	5,539,063	5,103,694
Present value of expected instalment payments (note 6)	318	404
Fair value of net assets available for benefits	$ 5,539,381	$ 5,104,098
Accrued Pension Obligation and Surplus		
Accrued pension obligation (note 7)	$ 5,200,853	$ 4,890,120
Surplus (deficit):		
Funding surplus (deficit) (note 7)	338,528	(66,953)
Actuarial value adjustment of net assets (notes 2 and 7)	-	280,931
	338,528	213,978
Commitments (note 8)		
Accrued pension obligation and surplus	$ 5,539,381	$ 5,104,098

See accompanying notes to financial statements.

Approved:

"Doug L. Moodie" Vice Chair, Public Service Superannuation Plan Trustee Inc.

"Nancy MacLellan" Vice Chair, Public Service Superannuation Plan Trustee Inc.

PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
Increase in Assets		
Contributions (note 4)	$ 186,957	$ 178,797
Transfers from other pension plans	6,408	3,014
Investment activities (note 5)	143,344	124,859
Change in market value of investments (note 5)	417,113	388,714
Total increase in assets	753,822	695,384
Decrease in Assets		
Benefits paid (note 10)	294,359	279,204
Transfers to other pension plans	2,771	2,604
Administrative expenses (note 11)	21,323	19,018
Total decrease in assets	318,453	300,826
Net increase in net assets available for benefits	435,369	394,558
Net assets available for benefits, beginning of year	5,103,694	4,709,136
Net assets available for benefits, end of year	$ 5,539,063	$ 5,103,694

See accompanying notes to financial statements.

PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended March 31, 2015, with comparative figures for 2014

		2015		2014
Accrued pension obligation, beginning of year	$	4,890,120	$	4,686,652
Increase in accrued pension benefits:				
Interest on accrued pension obligation		317,858		304,632
Contributions and transfers from other pension plans		193,365		181,811
Net experience gains		149,114		22,570
Changes in actuarial assumptions		(4,462)		16,114
		655,875		525,127
Decrease in accrued pension benefits:				
Benefits paid (note 10)		294,359		279,204
Contributions in excess of current service cost		48,012		39,851
Transfers to other pension plans		2,771		2,604
		345,142		321,659
Net increase in accrued pension benefits		310,733		203,468
Accrued pension obligation, end of year	$	5,200,853	$	4,890,120

Statement of Changes in Surplus (Deficit)
(in thousands of dollars)

Year ended March 31, 2015, with comparative figures for 2014

		2015		2014
Surplus, beginning of year	$	213,978	$	22,954
Net increase in net assets available for benefits		435,369		394,558
Net decrease in present value of instalment payments		(86)		(66)
Net increase in accrued pension obligation		(310,733)		(203,468)
Surplus, end of year	$	338,528	$	213,978

See accompanying notes to financial statements.

PUBLIC SERVICE SUPERANNUATION PLAN

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2015

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1. Authority and description of Plan:

The following description of the Public Service Superannuation Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan legislative documents and agreements.

General:

The Plan is governed by the Public Service Superannuation Act (the "Act") as part of the Acts of Nova Scotia. It is a contributory defined benefit pension plan that covers employees of the Province of Nova Scotia (the "Province") and certain other public sector organizations. The Act established the Nova Scotia Public Service Superannuation Fund (the "Fund") for the purpose of crediting employer and employee contributions, investment earnings and meeting the Plan's obligations.

The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas, are also contained in the Act and in the Regulations made under the Act.

Effective April 1, 2013, the Plan and the Fund transitioned to a new joint governance structure. The newly created Public Service Superannuation Plan Trustee Inc. ("PSSPTI") assumed fiduciary responsibility for the Plan and the Fund from the Minister of Finance and Treasury Board. As of April 1, 2013, the Minister of Finance and Treasury Board no longer has further legal liability for the Plan and the Fund. These changes are outlined in the 2012 Public Service Superannuation Act ("PSSA"). That act repealed the existing Public Service Superannuation Act and replaced it with a new Public Service Superannuation Act.

The PSSPTI is responsible for the administration of the Plan and the investment management of the Fund assets. The investment of the Fund assets is guided by the Plan's Statement of Investment Policies & Goals (the "SIP&G") as written by the PSSPTI. The SIP&G sets out the parameters within which the investments are made. These parameters include permissible investments and the policy asset mix. The Investment Beliefs, also found within the SIP&G, state the general principles upon which the investments are made.

Eligibility:

All employees of the Province (and other participating employers) as defined in accordance with the Plan provisions must join the Plan on the date of their employment.

Funding:

The Plan is funded by investment earnings and employee and matching employer contributions of 8.4% of salary up to the Year's Maximum Pensionable Earnings (the "YMPE") and 10.9% of salary above the YMPE. The YMPE is a figure set annually by the Canada Pension Plan (the "CPP").

Retirement benefits:

The basic pension formula is 2% multiplied by the number of years of pensionable service multiplied by the highest average pensionable salary of the best five years. Vesting occurs after two years. Pensions are integrated with the CPP benefits at age 65.

Plan members are eligible for a pension upon reaching any of the following criteria:

- age 50 with an age plus service factor of 80 – "Rule of 80" (age 55 with an age plus service factor of 85 for members first hired by a participating employer on or after April 6, 2010);
- age 55 with two years of service (reduced pension);
- age 60 with two years of service.

Death benefits:

Upon the death of a vested member, the surviving spouse is entitled to receive 66.67% of the member's pension benefit payable for life (60% for the surviving spouse of a member first hired by a participating employer on or after April 6, 2010). Eligible children are entitled to receive 10% of the member's pension benefit, payable until age 18 (or 25 while still in school).

Termination benefits:

Upon termination of employment, a vested member may choose to defer their pension until they satisfy one of the above eligibility criteria, or they may remove their funds from the plan in the form of a commuted value.

Refunds:

The benefit payable upon termination or death of a non-vested member, or upon death prior to retirement of a vested member with no eligible survivors, is a lump sum refund of the member's contributions with interest.

Indexing:

From January 1, 2011 to January 1, 2015, indexing of pensions in pay will be at a rate of 1.25% annually. Subject to the conditions specified in the Act, starting January 1, 2016, and through January 1, 2020, the annual rate of indexing will be 0.85% per year.

2. Basis of preparation:

(a) Basis of presentation:

The Plan adopted Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants Canada (CPA) Handbook, Section 4600 Pension Plans ("Section 4600"), on March 1, 2011 with a transition date of March 1, 2010. Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the Plan must consistently comply with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Canada Handbook or accounting standards for private enterprises in Part II of the CPA Canada Handbook. The Plan has elected to comply on a consistent basis with IFRS in Part I of the CPA Canada Handbook. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence.

Consistent with Section 4600, investment assets are presented on a non-consolidated basis even when the investment is in an entity over which the Plan has effective control. Earnings of such entities are recognized as income is earned and as dividends are declared. The Plan's total investment income includes valuation adjustments required to bring the investments to their fair value.

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate reporting entity.

These financial statements were authorized for issue by the Board of Trustees of the Public Service Superannuation Plan Trustee Inc. on June 25, 2015.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits and derivative financial instruments which are measured at fair value. Units of holding companies held are measured at the fair value of the underlying assets.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with Section 4600 and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position, the reported amounts of changes in net assets available for benefits and accrued pension benefits during the year. Actual results may differ from those estimates. Significant estimates included in the financial statements relate to the valuation of real estate, infrastructure and private equity investments and the determination of the accrued pension obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant accounting policies:

(a) Investment transactions, income recognition and transactions costs:

(i) Investment transactions:

Investment transactions are accounted for on a trade date basis.

(ii) Income recognition:

Income from investments is recorded on an accrual basis and includes interest, dividends and operating income/loss from real estate, as well as gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

(iii) Transaction costs:

Brokers' commissions and other transaction costs are recorded in the statement of changes in net assets available for benefits when incurred.

3. Significant accounting policies (continued):

(b) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in net unrealized gains (loss).

(c) Financial assets and liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument.

The Plan classifies all of its financial assets at fair value through the statement of changes in net assets available for benefits if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value though the statement of changes in net assets available for benefits if the Plan manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Plan's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Financial assets are measured at fair value and changes therein are recognized in the statement of changes in net assets available for benefits.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its amounts payable to be a non-derivative financial liability.

3. Significant accounting policies (continued):

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Derivative-related assets and liabilities are presented in the statement of financial position. The net amount is presented in the statement of financial position, when and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(d) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

3. **Significant accounting policies (continued):**

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in market value of investments.

Fair values of investments are determined as follows:

(i) Fixed income securities, real return bonds and equities are valued at year-end quoted closing prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

(ii) Short-term notes, treasury bills, repurchase agreements and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(iii) Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(iv) The Plan holds bank sponsored asset backed commercial paper in its cash portfolios; however, exposure is limited to multi seller, multi asset conduits with global style credit facilities, thus mitigating both credit and liquidity risk. There has been no impact on the value of these assets at March 31, 2015.

3. **Significant accounting policies (continued):**

(v) Private market investments include investments in private equity, real estate and infrastructure assets; held either directly or as a limited partner, generally do not have a publicly available market price. Directly held real estate is valued based on estimated fair values determined by appropriate techniques and best estimates by management, appraisers, or both. Where external appraisers are engaged to perform the valuation, management ensures the appraisers are independent and compares the assumptions used by the appraisers with management's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.

(vi) The fair value of a private fund investment where the Plan's ability to access information on underlying individual fund investments is restricted, such under the terms of a limited partnership agreement, is equal to the value provided by the fund's general partner unless there is specific and objectively verifiable reason to vary from the value provided by the general partner.

(vii) Derivatives, including futures, options, interest rate swaps, credit default swaps, and currency forward contracts, are valued at year-end quoted market prices, interest, spot and forward rates, where available. Where quoted prices are not available, appropriate alternative valuation techniques are used to determine fair value. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

(viii) Absolute return strategy investments, comprised of hedge funds, are recorded at fair value based on net asset values obtained from each of the hedge funds' administrators. These net asset values are reviewed by management.

(ix) Commodities, comprised of pooled funds, are recorded at fair value based on the net asset values obtained from each of the pooled funds' administrators. These net asset values are reviewed by management.

3. Significant accounting policies (continued):

(e) Non-investment assets and liabilities:

The fair value of non-investment assets and liabilities are equal to their amortized cost value and are adjusted for foreign exchange where applicable.

On March 31, 2014, the Plan subscribed to an investment in an absolute return strategy limited partnership for settlement on April 1, 2014. Subscription monies were due in advance of the value date. This amount is represented as a deposit on pending investment purchases on the Statement of Financial Position as at March 31, 2014.

(f) Receivable/payable from pending trades:

For securities transactions, the fair value of the receivable from pending trades and the payable from pending trades approximate their carrying amounts due to their short-term nature.

(g) Accrued pension benefit obligation:

The value of the accrued pension benefit obligation of the Plan is based on a going concern method actuarial valuation prepared by an independent firm of actuaries using the projected unit credit method as at December 31 and then extrapolated to March 31. The accrued pension benefit obligation and its extrapolation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the PSSPTI for the purpose of establishing the long term funding requirements of the Plan. The actuarial valuation and extrapolated accrued pension benefit obligation included in the consolidated financial statements is consistent with the valuation for funding purposes.

(h) Contributions:

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded and service is credited when the purchase amount is received.

3. **Significant accounting policies (continued):**

(i) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

(j) Administrative expenses:

Administrative expenses, incurred for plan administration and direct investment management services, are recorded on an accrual basis. Plan administration expenses represent expenses incurred to provide direct services to the Plan members and employers. Investment management expenses represent expenses incurred to manage the Fund. Base external manager fees for portfolio management are expensed in investment management expenses as incurred.

(k) Actuarial value of net assets and actuarial value adjustment:

The actuarial value of net assets of the Plan is used in assessing the funding position of the Plan, including the determination of contribution rates. The actuarial value of net assets is determined by smoothing investment returns above or below the actuarial long-term rate of return assumption over a five-year period. The fair value of net assets is adjusted by the unrecognized actuarial value adjustment to arrive at the actuarial value of net assets.

(l) Income taxes:

The Fund is the funding vehicle for a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly is not subject to income taxes.

(m) Adoption of new accounting standards:

A number of new standards, amendments to standards and interpretations effective for the year ended March 31, 2015, have been applied in preparing these consolidated financial statements.

- Amendment to IFRS 7, Financial Instruments - Disclosures, requiring incremental disclosures regarding the offsetting of financial assets and financial liabilities. The adoption of the new standard has not had a material impact on the Plan.

- IFRS 12, Disclosure of Interests in Other Entities, outlines the disclosures required surrounding an entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities, to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The adoption of the new standard has not had a material impact on the Plan.

3. Significant accounting policies (continued):

- IFRS 13, Fair Value Measurement clarifies the definition of fair value, provides a clear framework for measuring fair value, and enhances the disclosures about fair value measurements. IFRS 13 is not only limited to financial instruments, but also to fair value measurement in other IFRS, such as impairment and employee future benefits. The adoption of the new standard has not had a material impact on the Plan.

4. Contributions:

	2015	2014
Employer:		
Matched current service	$ 91,181	$ 87,339
Matched past service	1,057	922
	92,238	88,261
Employee:		
Matched current service	91,298	87,296
Unmatched current service	337	519
Matched past service	1,057	984
Unmatched past service	2,027	1,737
	94,719	90,536
	$ 186,957	$ 178,797

5. Investments and derivatives:

(a) The fair value of the Plan's investments and related income is summarized in the following table:

	As at March 31, 2015		As at March 31, 2014	
	Assets	%	Assets	%
Investment assets				
Fixed income				
Money market	$ 124,306	2.3	$ 126,605	2.5
Canadian bonds & debentures	677,922	12.4	596,783	11.9
Non-Canadian bonds & debentures	754,359	13.8	682,791	13.6
Canadian real return bonds	296,623	5.4	266,613	5.3
Equities				
Canadian	484,120	8.8	520,251	10.4
US	589,663	10.8	595,620	11.9
Global	913,192	16.7	868,401	17.3
Real Assets				
Real estate	582,138	10.6	493,617	9.8
Infrastructure	269,281	4.9	197,533	3.9
Commodities	160,643	2.9	158,513	3.2
Absolute Return Strategies				
Hedge funds	619,972	11.4	512,977	10.2
Derivatives				
Derivative-related receivables	6,466	0.1	6,269	0.1
	$ 5,478,685	100.1	$ 5,025,973	100.1
Investment liabilities		%		%
Derivatives				
Derivative-related payables	(8,033)	(0.1)	(3,995)	(0.1)
	$ (8,033)	(0.1)	$ (3,995)	(0.1)
Net investments	$ 5,470,652	100.0	$ 5,021,978	100.0

5. Investments and derivatives (continued):

As at March 31, 2015	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	$ 66,489	$ 55,706	$ 126,752	$ 182,458
Equities	42,804	207,179	43,779	250,958
Real assets	32,405	(3,613)	15,725	12,112
Absolute return strategies	-	5,187	103,694	108,881
Derivatives	1,011	(125,585)	(8,879)	(137,464)
Other	635	137	31	168
Total	$ 143,344	$ 136,011	$ 281,102	$ 417,113

As at March 31, 2014	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	$ 59,772	$ 10,227	$ (11,675)	$ (1,448)
Equities	42,173	175,136	182,841	357,977
Real assets	19,659	(3,252)	65,598	62,346
Absolute return strategies	-	12,624	56,531	69,155
Derivatives	2,635	(87,105)	(12,211)	(99,316)
Other	620	-	-	-
Total	$ 124,859	$ 107,630	$ 281,084	$ 388,714

(b) Derivatives:

Derivatives are financial contracts, the value of which is "derived" from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategies. The Plan utilizes such contracts to enhance investment returns and for managing exposure to interest rate and foreign currency volatility.

5. Investments and derivatives (continued):

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flows to be exchanged. They represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flows involved or the current fair value of the derivative contracts. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure. The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in either market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Derivative contracts, transacted either on a regulated exchange market or in the over-the-counter ("OTC") market, directly between two counterparties include the following:

Futures

Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining. The futures contracts that the Plan enters into are as follows:

- Government futures - contractual obligations to either buy or sell at a fixed value (the contracted price) government fixed income financial instruments at a predetermined future date. They are used to adjust interest rate exposure and replicate government bond positions. Long future positions are backed with high grade, liquid debt securities.

- Money market futures - contractual obligations to either buy or sell money market financial instruments at a predetermined future date at a specified price. They are used to manage exposures at the front end of the yield curve. Futures are based on short term interest rates and do not require delivery of an asset at expiration. Therefore they do not require cash backing.

5. Investments and derivatives (continued):

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. Purchased options are used to manage interest rate volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option. In the money portion of written options are covered by high grade, liquid debt securities.

Swaptions are contractual agreements that convey to the purchaser the right but not the obligation to enter into or cancel a swap agreement at a fixed future date or at any time within a fixed future period. The seller receives a premium from the purchaser for this right.

Credit default swaps

Credit default swaps ("CDS") provide protection against the decline in value of the referenced asset as a result of specified events such as payment default or insolvency. The purchaser pays a premium to the seller of the CDS in return for payment related to the deterioration in the value of the referenced asset. The referenced asset for CDS is a debt instrument. They are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure (selling protection), obligating the Plan to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure (buying protection), providing the right to "put" bonds to the counterparty in the event of a default. Net long exposures are backed with high grade, liquid debt securities. Underlying credit exposures are continuously monitored.

Interest rate swaps

Interest rate swaps involve contractual agreements between two counterparties to exchange fixed and floating interest payments based on notional amounts. They are used to adjust interest rate yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long term interest rates and short positions decrease exposure. Long swap positions are backed with high grade, liquid debt securities.

5. Investments and derivatives (continued):

Currency forwards

Currency forwards are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date. Forward contracts are used to manage the currency exposure of investments held in foreign currencies. The notional amount of a currency forward represents the contracted amount purchased or sold for settlement at a future date. The fair value is determined by the difference between the market value and the notional value upon settlement.

The following table sets out the notional values of the Plan's derivatives and their related assets and liabilities as at March 31.

2015	Notional value	Fair value Assets	Fair value Liabilities	Fair value Net
Derivatives				
Futures	$ 196,526	$ 1,163	$ (925)	$ 238
Options	3,387	-	(3)	(3)
Credit default swaps	35,466	580	(2,158)	(1,578)
Interest rate swaps	103,615	105	(79)	26
Currency forwards	2,357,106	4,618	(4,868)	(250)
Total	$ 2,696,100	$ 6,466	$ (8,033)	$ (1,567)

2014	Notional value	Fair value Assets	Fair value Liabilities	Fair value Net
Derivatives				
Futures	$ 131,837	$ 540	$ (400)	$ 140
Options	34,322	-	(78)	(78)
Credit default swaps	55,586	1,931	(2,257)	(326)
Interest rate swaps	104,430	538	(538)	-
Currency forwards	1,904,769	3,260	(722)	2,538
Total	$ 2,230,944	$ 6,269	$ (3,995)	$ 2,274

5. Investments and derivatives (continued):

The following table summarizes the contractual maturities of the Plan's derivatives and their related assets and liabilities as at March 31.

2015	Under 1 year	1 to 5 years	Over 5 years	Total
Futures	$ 238	$ -	$ -	$ 238
Options	(3)	-	-	(3)
Credit default swaps	(109)	(1,490)	21	(1,578)
Interest rate swaps	26	-	-	26
Currency forwards	(250)	-	-	(250)
	$ (98)	$ (1,490)	$ 21	$ (1,567)

2014	Under 1 year	1 to 5 years	Over 5 years	Total
Futures	$ 140	$ -	$ -	$ 140
Options	(78)	-	-	(78)
Credit default swaps	12	(885)	547	(326)
Interest rate swaps	-	–	-	-
Currency forwards	2,538	–	–	2,538
	$ 2,612	$ (885)	$ 547	$ 2,274

Cash is deposited or pledged with various financial institutions as collateral in the event that the Plan was to default on payment obligations on its derivative contracts. On the statement of financial position collateral is represented as part of the net cash balance of the Plan. The fair value of cash held at other financial institutions as collateral was $ (952) as at March 31, 2015 (2014 - $1,732).

6. Financial instruments:

(a) Fair value:

The fair values of investments and derivatives are as described in note 3(d). The fair values of other financial assets and liabilities, being cash, contributions receivable, receivable from pending trades, rebates receivable, due from administrator, accrued investment income, pension benefits payable, payable for pending trades and accounts payable and accrued liabilities payable approximate their carrying values due to the short term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

Level 1: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date. Level 1 primarily includes publicly listed investments.

Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market.

Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes real estate, infrastructure, and private equity investments valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

6. **Financial instruments (continued):**

The following table illustrates the classification of the Plan's financial instruments using the fair value hierarchy as at March 31:

As at March 31, 2015	Level 1	Level 2	Level 3	Total
Investment assets				
Fixed income				
Money market	$ 10,085	$ 114,221	$ -	$ 124,306
Canadian bonds & debentures	207,892	470,030	-	677,922
Non-Canadian bonds & debentures	34,771	719,588	-	754,359
Canadian real return bonds	-	215,737	80,886	296,623
Equities				
Canadian	344,117	140,003	-	484,120
US	340,004	248,890	769	589,663
Global	913,192	-	-	913,192
Real Assets				
Real estate	-	178,221	403,917	582,138
Infrastructure	-	-	269,281	269,281
Commodities	-	160,643	-	160,643
Absolute Return Strategies				
Hedge funds	-	619,972	-	619,972
Derivatives				
Derivative-related receivables	1,163	5,303	-	6,466
	$ 1,851,224	$ 2,872,608	$ 754,853	$ 5,478,685

As at March 31, 2015	Level 1	Level 2	Level 3	Total
Investment liabilities				
Derivatives				
Derivative-related liabilities	$ (925)	$ (7,108)	$ -	$ (8,033)
Total	$ (925)	$ (7,108)	$ -	$ (8,033)
Net investments	$ 1,850,299	$ 2,865,500	$ -	$ 5,470,652

6. **Financial instruments (continued):**

As at March 31, 2014	Level 1	Level 2	Level 3	Total
Fixed income				
Money market	$ 3,972	$ 122,633	$ -	$ 126,605
Canadian bonds & debentures	301,899	294,884	-	596,783
Non-Canadian bonds & debentures	18,428	664,363	-	682,791
Canadian real return bonds	-	191,803	74,810	266,613
Equities				
Canadian	368,470	151,781	-	520,251
US	320,084	222,349	53,187	595,620
Global	574,260	294,141	-	868,401
Real Assets				
Real estate	-	168,255	325,362	493,617
Infrastructure	-	-	197,533	197,533
Commodities	-	158,513	-	158,513
Absolute Return Strategies				
Hedge funds	-	512,977	-	512,977
Derivatives				
Derivative-related receivables	540	5,729	-	6,269
	$ 1,587,653	$ 2,787,428	$ 650,892	$ 5,025,973

As at March 31, 2014	Level 1	Level 2	Level 3	Total
Investment liabilities				
Derivatives				
Derivative-related liabilities	$ (400)	$ (3,595)	$ -	$ (3,995)
Total	$ (400)	$ (3,595)	$ -	$ (3,995)
Net investments	$ 1,587,253	$ 2,783,833	$ 650,892	$ 5,021,978

6. **Financial instruments (continued):**

There were no significant transfers between level 1 and level 2 financial instruments during the year ended March 31, 2015.

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

Year ended March 31, 2015	Fixed income	Equity	Real assets	Total
Level 3 investments, April 1, 2014	$ 74,810	$ 53,187	$ 522,895	$ 650,892
Purchases	-	-	127,847	127,847
Sales	(745)	(53,222)	(5,837)	(59,804)
Realized gains (losses)	167	(956)	(4,411)	(5,200)
Unrealized gains (losses)	6,654	1,760	32,704	41,118
Level 3 investments, end of year	$ 80,886	$ 769	$ 673,198	$ 754,853

Year ended March 31, 2014	Fixed income	Equity	Real assets	Total
Level 3 investments, April 1, 2013	$ 81,538	$ 40,687	$ 406,681	$ 528,906
Purchases	-	-	74,830	74,830
Sales	(707)	-	(1,993)	(2,700)
Realized gains (losses)	-	-	38	38
Unrealized gains (losses)	(6,021)	12,500	43,339	49,818
Level 3 investments, end of year	$ 74,810	$ 53,187	$ 522,895	$ 650,892

The total income from level 3 instruments held as at March 31, 2015 and 2014, respectively, was $35,918 and $49,856.

Fair value assumptions and sensitivity:

Level 3 financial instruments are valued using various methods. Listed real return bonds are valued by a third party using broker prices and comparable securities. Certain unlisted private equity, real estate and infrastructure funds are valued using various methods including overall capitalization method and discount rate method. Real estate subsidiaries are valued using the overall capitalization method and discount rate method and the valuations are significantly affected by non-observable inputs, the most significant of which are the capitalization rate and the discount rate.

6. **Financial instruments (continued):**

Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at March 31, 2015 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Description	Fair value at March 31, 2015	Valuation technique	Unobservable inputs
Unlisted real estate subsidiaries	319,776	Income approach technique: overall capitalization rate method and discounted cash flow method	Capitalization rates (2015: 4.40% to 7.90%, 2014: 4.50% to 7.90%), discount rates not available

The following analysis illustrates the sensitivity of the Level 3 valuations to reasonably possible capitalization rate assumptions for real estate properties where reasonably possible alternative assumptions would change the fair value significantly. The alternative capitalization rates are based on the volatility of the real estate properties. These sensitivities are hypothetical and should be used with caution. The impact of these alternative assumptions is independent of the impact of changes in other key variables.

	2015	2014
Real estate subsidiaries		
Increase in 25 basis points in capitalization rate	$ (20,761)	$ (16,501)
Decrease of 25 basis points in capitalization rate	22,659	17,998

Note 1: basis point is equal to 0.01%

The Plan does not have access to underlying information that comprises the fair market value of real return bonds, and certain private equity, real estate and infrastructure fund investments. The fair market value is provided by the general partner or other external managers. In the absence of information supporting the fair market value, no other reasonably possible alternative assumptions could be applied.

6. Financial instruments (continued):

Significant investments

The Plan's investments, each having a fair value or cost exceeding one per cent of the fair market value or cost of net investment assets and liabilities as follows:

As at March 31	2015 Number of investments	2015 Fair value	2015 Cost	2014 Number of investments	2014 Fair value	2014 Cost
Public market investments	1	80,886	30,560	1	74,810	31,139
Private market investments	15	1,931,725	1,557,821	13	1,521,572	1,219,002
	16	2,012,611	1,588,381	14	1,596,382	1,250,141

The Plan's significant private market investments consist of fixed income and equity pooled funds, commodities, real estate, and infrastructure.

(b) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate volatility, market price fluctuations, credit risk, foreign currency risk and liquidity risk. The Plan has set formal goals, policies, and operating procedures that establish an asset mix among equity, fixed income, real assets, absolute return strategy investments and derivatives that requires diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. Risk and credit committees have been created to regularly monitor the risks and exposures of the Plan. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and to mitigate operational risk.

(i) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored.

6. Financial instruments (continued):

The following table summarizes the contractual maturities of all financial assets at March 31, by the earlier of contractual re-pricing or maturity dates:

March 31, 2015	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%) (1)
Money market	$ 124,307	$ -	$ -	$ -	$ 124,307	-
Bonds & debentures	20,065	395,691	403,910	393,171	1,212,837	4.4
Real return bonds (2)	-	-	-	80,886	80,886	5.3
Total	$ 144,372	$ 395,691	$ 403,910	$ 474,057	$ 1,418,030	4.1

March 31, 2014	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%) (1)
Money market	$ 126,605	$ -	$ -	$ -	$ 126,605	0.1
Bonds & debentures	17,182	442,278	448,516	371,598	1,279,574	4.6
Real return bonds (2)	-	-	-	74,810	74,810	5.3
Total	$ 143,787	$ 442,278	$ 448,516	$ 446,408	$ 1,480,989	4.2

The fixed income maturity schedule is exclusive of pooled bond & real return bond funds (March 31, 2015 - $435,180; March 31, 2014 - $191,803).

(1) The average effective yield reflects the estimated annual income of a security as a percentage of its year-end fair value.

(2) Real return bond yields are based on real interest rates. The ultimate yield will be impacted by inflation as it occurs.

The fair value of the Plan's investments is affected by short-term changes in nominal interest rates. Pension liabilities are exposed to the long-term expectation of rate of return of the Fund as well as expectations of inflation and salary escalation.
Interest rate sensitivity:

The Plan's investments in fixed income and fixed income related derivatives are sensitive to interest rate movements. The following table represents the Plan's assets subject to interest rate changes, average duration due to a one percent increase (decrease) in interest rates and the change in fair value of those assets:

6. Financial instruments (continued):

	March 31, 2015	March 31, 2014
Interest rate sensitive assets	$ 1,416,714	$ 1,471,133
Average duration for 1% increase in interest rates	(6.6)	(6.2)
Sensitivity to 1% increase in interest rates	$ (93,988)	$ (90,740)
Fair value after 1% increase in rates	$ 1,322,726	$ 1,380,393
Average duration for 1% decrease in interest rates	6.6	6.2
Sensitivity to 1% decrease in interest rates	$ 93,988	$ 90,740
Fair value after 1% decrease in rates	$ 1,510,702	$ 1,561,873

(ii) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. Market price risk does not include interest rate risk and foreign currency risk which are also discussed in this note. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in financial position, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Plan through the construction of a diversified portfolio of instruments traded on various markets and across various industries.

Market sensitivity:

The Plan's investments in equities are sensitive to market fluctuations. The following table represents the change in fair value of the Plan's investment in public and private equities due to a ten percent increase (decrease) in fair market values as at March 31, 2015:

6. Financial instruments (continued):

	March 31, 2015	March 31, 2014
Total equity	$ 1,986,975	$ 1,984,272
10% increase in market values	$ 198,698	$ 198,427
Fair value after 10% increase	$ 2,185,673	$ 2,182,699
10% decrease in market values	$ (198,698)	$ (198,427)
Fair value after 10% decrease	$ 1,788,277	$ 1,785,845

(iii) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for traded financial instrument is not backed by an exchange clearing house. Credit risk associated with the Plan is regularly monitored and analyzed through risk and credit committees.

Fixed income:

The Plan's Fixed Income Program includes two main sectors: the Government Sector and the Corporate Sector. One benefit to managing these two pieces separately is to provide the opportunity to access physical government bonds when required. When markets are at their utmost distress these may be the only securities available for liquidation. Managing the Corporate Sector and the Government Sector separately allows for the adjustment of credit risk within the Fixed Income Program by changing the allocation between these two sectors-increasing the Government Sector through periods of market duress and increasing the Corporate Sector through periods of stability. This approach also allows the active management of the Corporate Sector and taking active decisions where returns can be maximized. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in 2015.

6. Financial instruments (continued):

The Fund is exposed to credit risk from the following interest earning investments:

	March 31, 2015	March 31, 2014
Canadian		
Governments	$ 540,978	$ 674,992
Corporate	116,138	120,635
Non-Canadian		
Governments	59,227	19,697
Corporate	701,687	668,665
	$ 1,418,030	$ 1,483,989

The credit risk schedule is exclusive of pooled bond and real return bond funds (March 31, 2015 - $435,180; March 31, 2014 - $191,803.
Derivatives:

The Plan is exposed to credit-related losses in the event counterparties fail to meet their payment obligations upon maturity of derivative contracts. The Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating. In order to mitigate this risk, the Plan:

i) Deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with a minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and

ii) Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative contracts is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

Securities lending:

The Plan engages in securities lending to enhance portfolio returns (note 12). Through a securities lending program at the Plan's custodian, the Plan lends securities for a fee to approved borrowers. Credit risk associated with securities lending is mitigated by requiring the borrowers to provide high quality collateral. In the event that a borrower defaults completely or in part, the custodian will replace the security at its expense. Regular reporting of the securities lending program ensures that its various components are continuously being monitored.

6. Financial instruments (continued):

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. Consequently, the Plan is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Plan's investment and non-investment assets or liabilities denominated in currencies other than the Canadian dollar. Foreign currency risk is hedged by using foreign exchange forward contracts. A policy of hedging up to 100% of the currency exposure helps to mitigate this risk.

The Plan's currency policy allows for the management of risk through hedging strategies that are implemented through the purchase of forward currency contracts. The forward currency contracts offset the Plan's foreign currency exposure, hence reducing the Plan's foreign currency risk.

The Plan's investment and non-investment assets and liabilities that are held in the Fund are represented as unhedged and hedged currency exposure as at March 31 in the following table:

	March 31, 2015 Unhedged	March 31, 2015 Hedged
Canadian dollar	$ 2,456,093	$ 4,157,156
United States dollar	2,429,300	1,231,067
Euro	218,332	(26,200)
British pound sterling	158,400	(920)
Japanese yen	81,652	44,775
Other	185,251	122,899
	$ 5,529,028	$ 5,528,777

6. **Financial instruments (continued):**

	March 31, 2014 Unhedged	March 31, 2014 Hedged
Canadian dollar	$ 2,316,830	$ 3,736,792
United States dollar	2,160,097	1,124,376
Euro	214,856	62,167
British pound sterling	151,711	36,342
Japanese yen	69,482	35,997
Other	180,464	100,301
	$ 5,093,440	$ 5,095,975

After the effect of hedging, and without change in all other variables, a ten percent increase (decrease) in the Canadian dollar against all other currencies would (decrease) increase the fair value of the Plan's investment and non-investment assets and liabilities held in the Fund, respectively.

The following table below represents these changes in the Plan's investment and non-investment assets and liabilities held in the Fund as at March 31:

	2015	2014
Fund assets and liabilities	$ 5,528,777	$ 5,095,976
10% increase in Canadian dollar	(279,107)	(123,562)
Fund assets and liabilities after increase	$ 5,249,670	$ 4,972,414
10% decrease in Canadian dollar	341,688	151,020
Fund assets and liabilities after decrease	$ 5,870,465	$ 5,246,996

6. Financial instruments (continued):

(v) Liquidity risk:

Liquidity risk is the risk that the Plan does not have sufficient cash to meet its current payment liabilities and acquire investments in a timely and cost effective manner. Liquidity risk is inherent in the Plan's operations and can be impacted by a range of situation specific and market wide events including, but not limited to, credit events and significant movements in the market. Cash obligations are fulfilled from contributions to the Plan, cash income of the Plan and planned dispositions of Plan assets as required. Cash requirements of the Plan are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations of the Plan. The Plan's cash management policy ensures that the quality and liquidity of the investment vehicles within the cash portfolios are consistent with the needs of the Plan.

Approximately 53% of the Plan's investments is in liquid securities traded in public markets, consisting of fixed income and equities. Pooled funds consisting of exchange traded equities are approximately 14% of the Plan's investments and are liquid within 30 days or less. Although market events could lead to some investments becoming illiquid, the diversity of the Plan's portfolios should ensure that liquidity is available for benefit payments. The Plan also maintains cash on hand for liquidly purposes and for payment of Plan liabilities. At March 31, 2015, the Plan had cash in the amount of $43,877; March 31, 2014 $42,331).

7. Present value of expected instalment payments:

The present value of expected instalment payments of $318 (March 31, 2014 - $404) represents the present value of outstanding employee and employer contributions as at March 31, 2015 that are due as a result of service buy-backs that are being paid for through payroll deductions. The liabilities associated with this service are already recognized in the accrued pension benefit obligation.

8. Accrued pension obligation:

The actuarial present value of the accrued pension obligation is an estimate of the value of pension obligations of the Plan in respect of benefits accrued to date for all active and inactive members including pensioners and survivors. As the experience of the Plan unfolds, and as underlying conditions change over time, the actual value of accrued benefits payable in the future could be materially different than the actuarial present value.

Actuarial valuations of the Plan are conducted annually, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer, performed a valuation as at December 31, 2014 and issued their report in June 2015. The report indicated that the Plan had a funding excess of $123,655 (December 31, 2013 – unfunded liability of $95,106).

The actuarial valuation calculates liabilities for each member on the basis of service earned to date and the employee's projected five-year highest average salary at the expected date of retirement or on the pension in pay, for retired members and survivors. The projected unit credit method was adopted for the actuarial valuation to determine the current service cost and actuarial liability. Under this method, the cost of providing benefits to an individual member will increase as the individual member ages and gets closer to retirement.

The assumed increases in the real rate of pensionable earnings (i.e. increase in excess of the assumed inflation rate) are dependent on the attained age of the members. These rates are based on recent experience of the Plan and current expectations for future years.

Demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates, and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends.

The major economic and demographic assumptions used in the 2014 valuation have changed from those used in the 2013 valuation. The rate of inflation has changed from 2.25% to 2.00% per annum. Salary increase has changed from 2.25% per annum plus merit ranging from 0.00% to 2.50%, to 1.50% per annum for 3 years and 2.50% per annum thereafter plus merit ranging from 0.00% to 2.50%. The rate of return on assets changed from 6.50% to 6.35% per annum. The average retirement date changed from 35% at the earliest age for unreduced pension, but not before age 54 (age 55 for a member first hired on or after April 6, 2010), and 65% earlier of age 60 and 35 years of service, to 10% at age 59, 20% at age 60, 10% at each age 61-64, 50% at each age 65-69, 100% at age 70, with 20% each year after EURD, if it is greater, and 40% at 35 years of service. Mortality changed from UP-94 projected to 120% of CPM 2014 Publ with generational mortality using 100% of CPM-B.

	Valuation December 31, 2014	Valuation December 31, 2013
Inflation	2.00% per annum	2.25% per annum
Salary increase	1.50% per annum for 3 years, 2.50% per annum thereafter plus merit ranging from 0.00% to 2.50%	2.25% per annum plus merit ranging from 0.00% to 2.50%
Total rate of return on assets (i.e. discount rate)	6.35% per annum	6.50% per annum
Average retirement age	• 10% at age 59; • 20% at age 60; • 10% at each age 61-64; • 50% at each age 65-69; • 100% at age 70 However, 20% each year after EURD, if it is greater 40% at 35 years of service	35% - earliest age for unreduced pension, but not before age 54 (age 55 for a member first hired on or after April 6, 2010); 65% - earlier of age 60 and 35 years of service
Mortality	120% of CPM 2014 Publ with generational mortality using 100% of CPM-B	UP-94 projected to 2014 with generational mortality improvements using 150% of Scale AA

The December 31, 2014 actuarial valuation reported the Plan's actuarial value of net assets at market value. The actuarial valuations as at December 31, 2010 and through to December 31, 2013, reported the Plan's actuarial value of net assets on a smoothed value basis which established such that investment returns above or below the long-term rate of return assumption in effect for the year (December 31, 2013 and thereafter – 6.50%) are recognized over five years to smooth fluctuations in the market value of net assets.

No actuarial adjustment was required as at March 31, 2015. As at March 31, 2014, the actuarial adjustment was $280,931 which reflected the fact that there was a net gain on investments relative to assumptions that had not yet been recognized.

The accrued pension obligation as at March 31 is determined by an extrapolation performed by the Plan's actuary of the Plan's liabilities from December 31 of the immediately preceding calendar year, as reflected in the actuarial valuation. The following table reflects the extrapolated funding surplus (deficit) as at March 31, 2015 and as at March 31, 2014.

	2015 Extrapolated	2014 Extrapolated
Actuarial value of assets	$5,539,381	$ 4,823,167
Accrued pension obligation	5,200,853	4,890,120
Funding deficit	$ 338,528	$ (66,953)

As at March 31, 2015 and March 31, 2014, the surplus (deficit) of the Plan's actuarial value of net assets available for benefits over accrued pension obligation is as follows:

	2015 Extrapolated	2014 Extrapolated
Net assets available for benefits	$ 5,539,063	$ 5,103,695
Present value of expected instalment payments	318	404
Fair value of net assets available for benefits	5,539,381	5,104,099
Actuarial value adjustment	-	(280,931)
Actuarial value of net assets available for benefits	5,539,381	4,823,167
Accrued pension obligation	5,200,853	4,890,120
Funding surplus (deficit) of actuarial value of net assets available for benefits over accrued pension obligation	338,528	(66,953)
Reversal of actuarial value adjustment	-	280,931
Surplus (deficit) of net assets available for benefits over accrued pension obligation	$ 338,528	$ 213,978

9. Commitments:

The Plan has committed capital to investment in infrastructure over a definitive period of time. The future commitments are generally payable on demand based on the capital needs of the related investment. The table below indicates the capital amount committed and outstanding as at March 31, 2015.

	Committed	Outstanding
Canadian infrastructure	30,000 CAD	2,209 CAD
Non-Canadian infrastructure	270,000 USD	117,933 USD
Non-Canadian infrastructure	15,000 GBP	11,005 GBP
Non-Canadian real estate	25,000 USD	3,009 USD

10. Benefits:

	2015	2014
Benefits paid to retired members	$ 249,634	$ 235,302
Benefits paid to survivors	34,743	33,975
Refunds paid to terminated members	9,982	9,927
	$ 294,359	$ 279,204

11. Administrative expenses:

The Plan is charged by its service providers, including Nova Scotia Pension Services Corporation, a related entity, for professional and administrative services. The following is a summary of these administrative expenses:

	2015	2014
Plan administration:		
Office and administration services	$ 3,651	$ 3,094
Legal services	54	72
Actuarial services	140	37
Audit fees	39	36
Other professional services	20	23
	3,904	3,262
Investment expenses:		
Investment management fees	13,493	12,166
Transaction costs	1,150	1,015
Custody services	520	515
Advisory services	262	247
Information services	176	187
	15,601	14,130
HST	1,818	1,626
	$ 21,323	$ 19,018

The Plan's administrator, Nova Scotia Pension Services Corporation, annually reviews the resources required to service the Plan. The allocation of office and administrative expenses is reviewed and approved by the Nova Scotia Pension Services Corporation Board of Directors and the Plan Trustee before the beginning of each fiscal year.

11. Administrative expenses (continued):

Investment management and performance fees included in the unrealized gains / (losses) on investment vehicles consisting of pooled funds, limited partnerships and holding companies are estimated at $21,800 (2014 - $20,502). These fees are not direct expenses of the Plan and therefore are not included in administrative expenses.

12. Securities lending:

The Plan participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Plan receives a fee and the borrower provides readily marketable securities of higher value as collateral which mitigates the credit risk associated with the program. When the Plan lends securities, the risk of failure by the borrower to return the loaned securities is alleviated by such loans being continually collateralized. The securities lending agent also provides indemnification if there is a shortfall between collateral and the lent security that cannot be recovered. The securities lending contracts are collateralized by securities issued by, or guaranteed without any limitation or qualification by, the government of Canada or the governments of other countries.

The following table represents the estimated fair value of securities that were loaned out and the related collateral:

	March 31, 2015	March 31, 2014
Securities on loan	$ 541,266	$ 483,691
Collateral held	$ 591,650	$ 518,779

13. Related party transactions:

Investments held by the Plan include debentures of the Province of Nova Scotia. The total fair value of these investments is $15,641 (0.3% of total assets) as at March 31, 2015 (2014 - $12,743 (0.3% of total assets)).

On April 1, 2013, the Plan's administrator Nova Scotia Pension Agency, devolved from the Province of Nova Scotia and became Nova Scotia Pension Services Corporation, an entity co-owned by Public Service Superannuation Plan Trustee Incorporated and Teachers' Pension Plan Trustee Inc. for the purpose of providing pension plan administration and investment services. Nova Scotia Pension Services Corporation charges the Plan at cost, an amount equal to the expenses incurred in order to service the Plan. The administration expense charged to the Plan, including HST, for the year ending March 31, 2015 was $4,683 (2014 - $3,414).

13. Related party transactions (continued):

As Nova Scotia Pension Services Corporation operates on a cost recovery basis, the Plan advances or loans cash to its administrator, as required to pay upcoming expenses or to purchase capital assets. The amount due to the Plan was $2,820 (2014 - $1,688) at March 31, 2015. The amount due to Nova Scotia Pension Services Corporation at March 31, 2015 for expenses was $828 (2014 – nil).

14. Interest in subsidiaries:

The Plan's subsidiaries were created for the purposes of providing investment earnings from real estate, infrastructure and other investment arrangements. The Plan's subsidiaries are presented on a non-consolidated basis. The following table shows the fair values of the Plan's subsidiaries as at March 31, 2015 and 2014:

Subsidiary	Purpose	Ownership %	2015 Fair value	2014 Fair value
NT Combined Investments Inc.	Equities	60	$ 248,890	$ 222,349
PSS Investments RE Inc.	Real estate	100	226,947	144,444
PSS Investments II Inc.	Real estate	100	148,745	149,481
PSS Investments CS Inc.	Infrastructure	100	106,363	61,121
PSS Investments ES Inc.	Real estate	100	28,225	31,438
HV Combined Investments Inc.	Hedge funds	63	27,012	19,900
PSS Investments III Inc.	Infrastructure	100	25,435	25,075
PSS Investments IV Inc.	Infrastructure	100	24,065	20,538
PSS Investments CS II Inc.	Infrastructure	100	2,057	1,684

The Plan either has 100% controlling interest or significant influence over its subsidiaries' cash flows. Funding is made via capital investment from the Plan. Certain subsidiaries have commitments that must be funded directly through capital investment by the Plan. These amounts are included in the Plan's commitments (note 9). Financing is provided as required via shareholder loan and is payable on demand to the Plan.

15. Capital management:

The main objective of the Plan is to sustain a certain level of net assets in order to meet the Plan's pension obligations. The PSSPTI (note 1) manages the contributions and benefits as required by the Public Service Superannuation Act and its related Regulations. The PSSPTI approves and incurs expenses to administer the commerce of the Plan in accordance with the Act.

Under the direction of the PSSPTI, the Plan provides for the short term financial needs of current benefit payments while investing members' contributions for the longer term security of pensioner payments. The PSSPTI exercises duly diligent practices and has established written investment policies and procedures, and approval processes. Operating budgets, audited financial statements, yearly actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the Plan's governance structure.

15. Capital management (continued):

The Plan fulfils its primary objective by adhering to specific investment policies outlined in its SIP&G, which is reviewed annually by PSSPTI. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the SIP&G. Increases in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and participating employers. The main use of net assets is for benefit payments to eligible Plan members.

16. Comparative information:

Certain 2014 comparative information have been reclassified to conform to the financial statement presentation adopted for the current year.